

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
REASONABLENESS OF THE DEMAND SIDE)	CASE NO.
MANAGEMENT PROGRAMS AND RATES OF)	2017-00097
KENTUCKY POWER COMPANY)	

**ATTORNEY GENERAL'S POST HEARING
BRIEF**

In initiating this investigation, the Commission noted that it has “expressed its concern with increasing costs of electric utilities’ DSM program and declared its intent to more closely review such programs, particularly with regard to the cost-effectiveness of each DSM program.”¹ The time is now for the Commission to give direction and guidance to Kentucky Power Co. (“Company”) and the other jurisdictional utilities who implement DSM programs. While the amounts that different utilities spend in the Commonwealth may vary among each other, the impact to customers in the rates they pay are still significant.

The Attorney General is in agreement with the Company on at least two specific points: (1) “[t]argeted DSM programs for the Company’s low-income residential customers . . . who otherwise might lack the economic and other means to undertake energy efficiency measures, are particularly important”; and, (2) the statements made by representatives of MACED² were compelling, in that they provide evidence to the

¹ Order, PSC Case No. 2017-00097, (Ky. PSC Feb. 23, 2017) at 2-3, citing Order, PSC Case No. 2016-00289 *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs*, (Ky. PSC Jan. 24, 2017) at 15.

² Mountain Association for Community Economic Development.

Commission regarding the effectiveness of some DSM programs, especially those targeting certain local commercial customers, schools, and local governmental entities.^{3,4} The Attorney General believes that DSM programs should properly reflect the unique characteristics of a utility's service territory and the customers they serve.⁵ For instance, the Commission has already noted that the increase in the average monthly DSM charge of over \$10, "exacerbated an already bleak economic situation for many of Kentucky Power's customers," and further provided economic and employment data to support such a conclusion.⁶ Although DSM may have its place, the amount expended and recovered should take into account the programs *needed* for that service territory and the level of rates *able* to be affordably recovered from customers. As Mr. Wohnhas stated at the hearing in this matter, "just because a program for the residential is cost-effective, maybe it's not the right program going forward."⁷

The Attorney General is concerned that those customers who are least able to take advantage of DSM programs due to factors outside their control, such as those with low-income, are not only forced to pay directly for DSM through the line-item charge, but essentially pay twice when other customers reduce their usage. If other customers, either in the same or different classes, reduce usage by participating in DSM programs, low-

³ Post-Hearing Brief of Kentucky Power Company, (Ky. PSC Jan. 16, 2018) at 2.

⁴ The Attorney General also agrees that an impact evaluation should be completed, but likely for different reasons than the Company. For instance, the Attorney General believes the evaluations are necessary to ensure the Company does not recover through rates costs or incentives above what is reasonable, but also because the evaluation may provide insight into programs the Company should implement targeting low-income customers.

⁵ The unique characteristic of Kentucky Power being a winter peaking utility while PJM is summer-peaking may be a detriment or benefit to Kentucky Power customers and the availability of certain DSM programs to benefit them. For instance, Mr. Wohnhas provided evidence that the reason while Kentucky Power is a winter-peaking utility has much to do about the high winter usage for low-income customers, due to heating their homes, See Jan. 11, 2018 VTE at 11:16:45.

⁶ Order, PSC Case No. 2017-00097, (Ky. PSC Feb. 23, 2017) at 3-4.

⁷ January 11, 2018, VTE at 11:13:59.

income customers unable to participate in the programs then pay a larger amount in their base rates because the same amount of fixed costs are recovered via a lower volume of kWh. In the end, low-income customers pay for DSM coming and going, while receiving little to no benefits. During cross-examination at the hearing in this matter, Sierra Club witness Mr. Grevatt agreed that lack of access to capital and the “first cost” barrier is huge to customers who are economically challenged.⁸ Regardless, economically challenged customers (both commercial and residential) should have the opportunity to participate in programs in which they bear the costs.⁹ The Commission should ensure that any funds expended via DSM are for targeted purposes and that the programs provide *all* customers an ability to participate without significant up-front capital expenses acting as a barrier.

Respectfully submitted,

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⁸ Jan. 11, 2018 VTE at 9:20:15.

⁹ See also Jan 11, 2018 VTE at 9:48:00.